

## Message Text

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ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 STR-07 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05  
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DOE-15 /119 W

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R 270814Z MAR 78  
FM AMEMBASSY MANILA  
TO SECSTATE WASHDC 3455  
USMISSION GENEVA

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USMTN

E. O. 11652: NA  
TAGS: ETRD, RP, US, MTN  
SUBJECT: US-RP TRADE ISSUES DISCUSSED BY INDUSTRY SECRETARY PATERNO

REF: MANILA 4381

BEGIN UNCLASSIFIED

1. INDUSTRY SECRETARY VICENTE PATERNO DISCUSSED U.S.-  
PHILIPPINE TRADE ISSUES WITH NEWSMEN WHICH RESULTED IN NEWS  
ARTICLES IN ALL OF MANILA'S MAJOR DAILY NEWSPAPERS. THE ARTICLE  
APPEARING IN SUNDAY EDITION OF THE DAILY EXPRESS OF MARCH 19,  
1978 IS REPRESENTATIVE AND IS QUOTED BELOW.

2. ARTICLE HEADLINE IS "U.S. TRADE PRESSURE BARED". ARTICLE  
TEXT IS AS FOLLOWS:

QUOTE:

INDUSTRY SECRETARY VINCENTE PATERNO SAID YESTERDAY THE  
PHILIPPINE GOVERNMENT IS NOT PARTIAL TO THE UNITED STATES  
BUT PRESENT CONDITIONS NECESSITATE THAT THE PHILIPPINES FIGHT  
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FOR ITS ECONOMIC INDEPENDENCE.  
PATERNO MADE THE STATEMENT TO NEWSMEN IN ANSWER TO U.S.  
AMBASSADOR DAVID D. NEWSOM'S OFFICIAL PRONOUNCEMENT - IN A  
SPEECH MADE FRIDAY DURING A LUNCHEON HOSTED BY THE PHILIPPINE  
COUNCIL OF THE INTERNATIONAL CHAMBER OF COMMERCE-  
THAT "THE U.S. IS NOT SEEKING RECIPROCITY IN ITS TRADE  
WITH THE PHILIPPINES, BUT PARTIAL TRADE CONCESSIONS."

THE INDUSTRY HEAD - WHO IS CONCURRENTLY CHAIRMAN OF THE BOARD OF INVESTMENTS AND A MEMBER OF THE MONETARY BOARD - NOTED THAT "THE U.S. GOVERNMENT HAS TENDENCY TO LUMP TOGETHER DISCUSSIONS ON PROBLEMS, NO MATTER HOW DIVERSE THEY MAY BE, THAT TEND TO BECLOUD ISSUES AND THUS PREVENT AN EARLY RESOLUTION OF PROBLEMS."

PATERNO CITED THE CASE WITH PHILIPPINE COCONUT OIL AND PLYWOOD (MAHOGANY) EXPORTS TO THE U.S. HE SAID THESE TWO ITEMS WHICH COMPRIZE A BIG PORTION OF PHILIPPINE EXPORTS TO THAT COUNTRY HAVE BEEN SLAPPED WITH IMPORT DUTIES IN THE U.S. HE SAID ALL THAT THE PHILIPPINE GOVERNMENTS WANTS IS FOR THE U.S. TO REMOVE THIS DISCRIMINATION. (PALM OIL WHICH IS COCONUT OIL'S MAJOR COMPETITOR IN THE AMERICAN MARKET IS ALLOWED BY THE U.S. TO ENTER DUTY-FREE. THIS IS THE REASON WHY PALM OIL HAS BEEN ABLE TO ENCROACH INTO THE U.S. MARKET WHICH USED TO BE DOMINATED BY COCONUT OIL).

PATERNO SAID WHAT THE U.S. DID WAS TO LUMP THIS ISSUE WITH THE MULTILATERAL TRADE NEGOTIATIONS (MTN) WHICH WILL START SOON IN GENEVA. "THE PHILIPPINE GOVERNMENT WILL STICK TO ITS ORIGINAL PROPOSAL SEEKING THE REMOVAL OF U.S. DISCRIMINATORY ACTION ON THE TWO PRODUCTS," HE ADDED.

PATERNO ALSO SAID THE PHILIPPINES IS SEEKING TRADE PREFERENCE WITH THE U.S. ON 30 ITEMS, "BUT NOT TRADE CONCESSIONS." THIS PROPOSAL HAS BEEN PRESENTED TO THE LIMITED OFFICIAL USE

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UNITED NATIONS COMMITTEE ON TRADE AND DEVELOPMENT, HE SAID.

PATERNO CALIMED THAT U.S. PRESIDENT CARTER CAN "MAKE EXCEPTIONS TO THE IMPORT DUTY IMPOSITION IF HE WANTS TO," BECAUSE UNDER THE U.S. TRADE REFORM ACT OF 1975, THE EXECUTIVE BRANCH OF THE U.S. GOVERNMENT IS EMPOWERED TO LIFT IMPORT TAXES OR SLAP DUTIES ON FOREIGN-MADE GOODS. ACTUALLY, IT WAS THE U.S. TRADE REFORM ACT WHICH IMPOSED BARRIERS ON COCONUT OIL AND PLYWOOD IMPORTS BY LEVYING ADDITIONAL DUTIES ON THESE ITEMS.

ON THE IMPORT SIDE, PATERNO SAID THE U.S. WANTS RECIYROCITY ON SOME OF ITS AGRICULTURAL PRODUCTS AND INDUSTRIAL RAW MATERIALS SUCH AS PULP (USED IN NEWSPRINT MANUFACTURING). THE RECIPROCITY, HE SAID, COMES IN THE FORM OF TAX CUTS ON THESE GOODS IMPORTED BY DEVELOPING COUNTIRES, HE SAID.

THE FORTHCOMING MTN TALKS, SCHEDULED TO BEGIN IN THE NEXT TWO WEEKS IN GENEVA, CENTER ON TRADE CONCESSIONS PROPOSED TO BE GIVEN BY INDUSTRIAL COUNTRIES TO DEVELOPING NATIONS. END QUOTE  
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3. COMMENT: PATERNO'S COMMENTS, AS REPORTED ABOVE, REFLECT THE RATIONALE OF MANY GOP OFFICIALS CONCERNING, AMONG OTHER THINGS, U.S. TARIFFS ON COCONUT OIL AND PLYWOOD. THE INDUSTRY SECRETARY, WITH MBA FROM HARVARD BUSINESS SCHOOL, IS GENERALLY CONSIDRED ABLE, WELL INFORMED, AND ARTICULATE. YET, HIS OPINIONS ON THESE U.S.-PHILIPPINE TRADE ISSUES UNFORTUNATELY REFLECT THE STATE OF MIND REPORTED AND DISCUSSED IN MANILA 4381. EVEN THOUGH ALLOWANCE MUST BE MADE FOR CURRENT PRE-ELECTION RHETORIC, EMBASSY BELIEVES U.S. MTN DEL SHOULD BE AWARE THAT THE SECRETARY'S REMARKS REPRESENT AN IMPORTANT CURRENT OF OPINION PREVALENT IN HIGH LEVELS OF THE GOP. END COMMENT  
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NEWSOM

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NNN

## Message Attributes

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**Disposition Approved on Date:**  
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**Executive Order:** N/A  
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**TAGS:** ETRD, RP, US, MTN, (PATERNO, VINCENTE)  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014